

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
/100 W

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R 081612Z DEC 76

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 7749

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD EC FR

SUBJECT: LOYGUE REPORT ON MTN

REF: PARIS 35414

1. SUMMARY: WE FOUND PIERRE LOYGUE MORE OPEN AND REASONABLE THAN HIS REPORT MIGHT INDICATE. HIS MAIN CONCERNS ARE THAT (A) CONGRESS WILL REJECT THE RESULTS OF THE MTN, (B) THE TRADE ACT ENCOURAGES A CLIMATE OF PROTECTIONISM IN THE U.S. AND CAUSES MTN TO BE CONDUCTED IN FACE OF THREATNED ACTIONS BY THE U.S., (C) THE IMPASSE OVER AGRICULTURE WILL DELAY PROGRESS IN THE NEGOTIATIONS AND (D) THE FLOATING EXCHANGE RATE SYSTEM WILL CAUSE GOVERNMENTS TO HESITATE IN MAKING CONCESSIONS TOWARD GREATER LIBERALIZATION OF TRADE. END SUMMARY.

2. IN A CONVERSATION WITH PIERRE LOYGUE, AUTHOR OF A REPORT TO THE FRENCH ECONOMIC AND SOCIAL COUNCIL ON THE MTN, THE FOLLOWING POINTS EMERGED: LOYGUE'S MAIN WORRY IS THAT THE EUROPEANS WILL BE LED DOWN A PATH TO MAKE CONCESSIONS WHICH WILL NOT BE ACCEPTABLE TO THE LIMITED OFFICIAL USE

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U.S. CONGRESS AND THEN EUROPE WILL BE FACED WITH

DEMANDS TO DO MORE. HE THOUGHT THE SPECIAL ROLE ASSIGNED TO THE CONGRESS BY THE TRADE ACT CREATED AN ASYMMETRY IN THE NEGOTIATIONS WHICH HE PROPOSED TO REMEDY BY INVOLVING THE FRENCH PARLIAMENT IN A SIMILAR WAY. ALTHOUGH TRADE MINISTER ROSSI HAD INDICATED SYMPATHY FOR THIS APPROACH AND A WILLINGNESS TO WORK WITH THE APPROPRIATE PARLIAMENTARY COMMITTEES, LOYGUE SAID THE GOF AND THE COMMUNITY ARE DEAD SET AGAINST CONCEDING A SIMILAR ROLE TO THE PARLIAMENTS. WE SAID THAT THE INTERNAL PROCEDURES BY WHICH THE EUROPEANS ADOPTED THE RESULTS OF THE NEGOTIATIONS ARE FOR THE EUROPEANS TO DECIDE. FOR OUR PART WE ARE BOUND BY THE CONSTITUTION WHICH CONFERS ON CONGRESS FULL POWER OVER FOREIGN COMMERCE. WE BELIEVED THE CONTINUED INVOLVEMENT OF KEY MEMBERS OF CONGRESS IN MTN WORK COULD FACILITATE APPROVAL BY THE CONGRESS.

3. LOYGUE'S REPORT IS VERY CRITICAL OF THE TRADE ACT, AND LOYGUE HIMSELF REFLECTED A COMMON FRENCH VIEW THAT THE ACT IS PROTECTIONIST AND THREATENS NORMAL DEVELOPMENT OF TRADE. WE SOUGHT TO CORRECT SOME OF THE MORE GLARING ERRORS, ESPECIALLY LOYGUE'S VERSION OF THE AMERICAN SELLING PRICE BARGAIN DURING THE KENNEDY ROUND. LOYGUE WAS GRATEFUL AND APPEARS TO BE EMINENTLY EDUCABLE. HE IS WILLING TO CONTINUE A DIALOGUE AND WE SHALL SEE HIM AGAIN.

4. ON AGRICULTURE, LOYGUE WAS NOT PREPARED TO DISCUSS DETAILS. HE IS CONVINCED WE WANT TO DESTROY THE EC'S COMMON AGRICULTURAL POLICY, BUT EVEN HERE HE IS PREPARED TO DISCUSS METHODS OF DETERMINING THE LEVEL OF PROTECTION. HE DOES NOT SEE ANY POSSIBILITY THAT THE EC WOULD AGREE TO INTEGRATE AGRICULTURE WITH INDUSTRIAL DISCUSSIONS. THE FINAL AGREEMENT MUST BE BALANCED SEPARATELY IN EACH OF THE TWO BROAD SECTORS.

5. WE HAD THE IMPRESSION THAT LOYGUE INCLUDED A SECTION ON THE "PREALABLE MONETAIRE" BECAUSE IT IS A TRADITIONAL PART OF THE FRENCH LITANY. HE READILY RECOGNIZED THAT GOVERNMENTS CAN DO VERY LITTLE, LIMITED OFFICIAL USE

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ESPECIALLY THE GOF, TO DEFEND EXCHANGE RATES.

6. LOYGUE WAS ASKED BY PRIME MINISTER BARRE TO PREPARE HIS REPORT. HE SAYS HE WORKED HARD ON IT BUT THAT HE HAD HELP FROM THE FRENCH ADMINISTRATION. WE HOPE THAT THROUGH LOYGUE WE MAY BE ABLE IN FUTURE TO REACH INFLUENTIAL PEOPLE IN THE GOF, BUT THAT, OF COURSE, REMAINS TO BE SEEN.

RUSH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, TRADE CONCESSIONS, FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976PARIS36275
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760454-0460
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761262/aaaacbkrl.tel
Line Count: 116
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 PARIS 35414
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 12 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 APR 2004 by ellisoob>; APPROVED <02 AUG 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LOYGUE REPORT ON MTN
TAGS: ETRD, FR, EEC, (LOYGUE, PIERRE)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006